

FLEX MARKET REPORT

THIRD
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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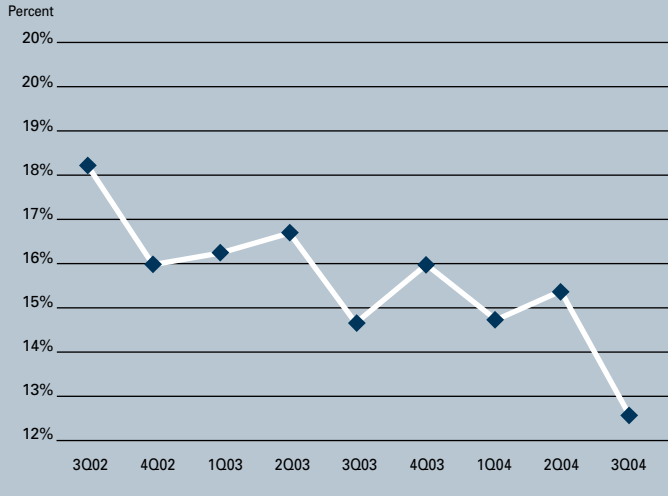
MARKET HIGHLIGHTS

- ◆ Unemployment for the third quarter of 2004 in Orange County is 3.2%, which is the same as it was when compared to the second quarter of 2004, and is .6% lower than it was during the third quarter of 2003.
- ◆ According to Chapman University it is estimated that Orange County will add 27,000 new jobs in 2004. Furthermore, they are forecasting 30,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 178,695 square feet for the third quarter of 2004, which is over 60,000 square feet less than the amount that was under construction in the second quarter of 2004.
- ◆ The flex vacancy rate checked in at 12.62%, which is lower than it was a year ago at 14.62%. Another sign of strength was the 360,456 square feet of new product that was built in 2003, which has been absorbed.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is lower than it was a year ago; 16.70% this quarter as compared to 19.72% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.42, which is a 2.74% decrease over last year's third quarter rate of \$1.46.

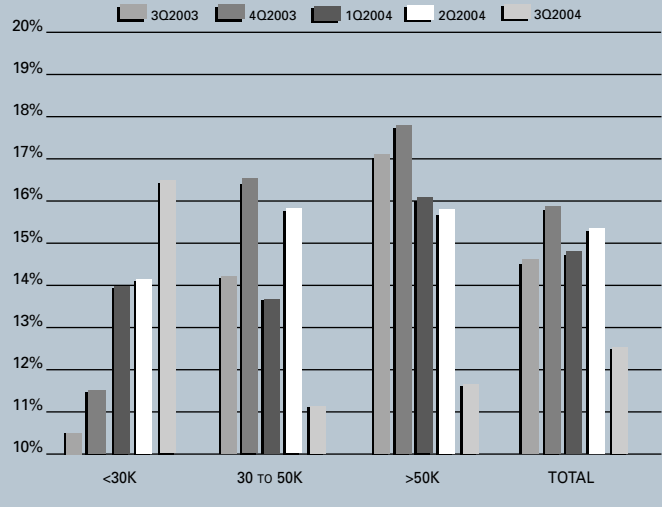
FLEX MARKET STATISTICS

	3Q2004	2Q2004	3Q2003	% CHANGE VS. 3Q03
Under Construction	178,695	241,691	269,900	-33.79%
Planned Construction	145,386	145,386	194,570	-25.28%
Vacancy	12.62%	15.44%	14.62%	-13.68%
Availability	16.70%	18.89%	19.72%	-15.31%
Pricing	\$1.42	\$1.42	\$1.46	-2.74%
Net Absorption	449,169	150,775	371,621	20.87%

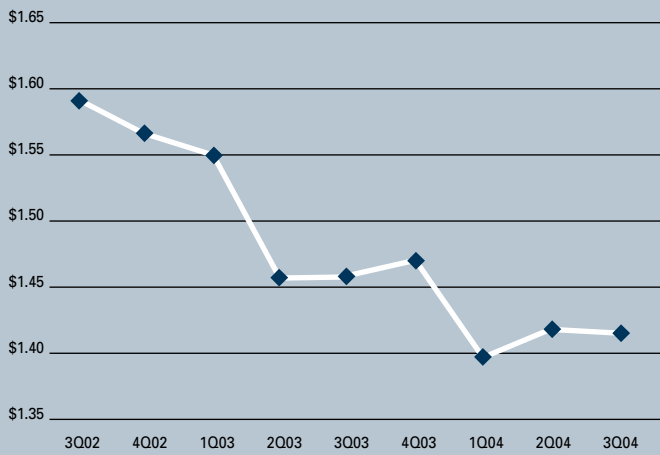
VACANCY RATE



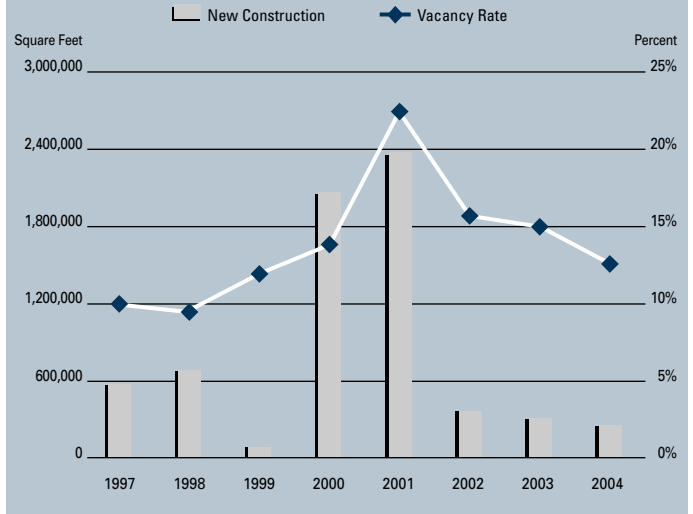
FLEX VACANCY RATE



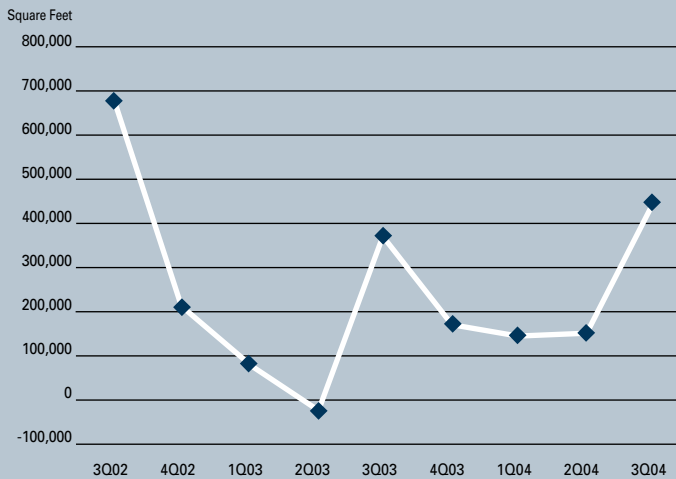
AVERAGE ASKING TRIPLE NET LEASE RATE



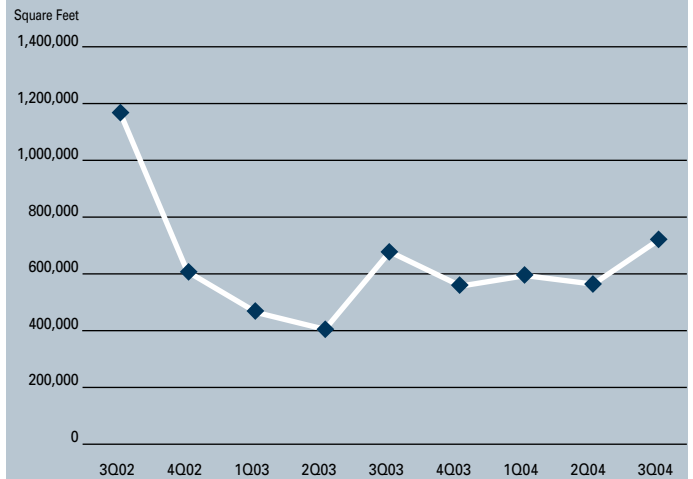
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



THIRD QUARTER 2004

ORANGE COUNTY

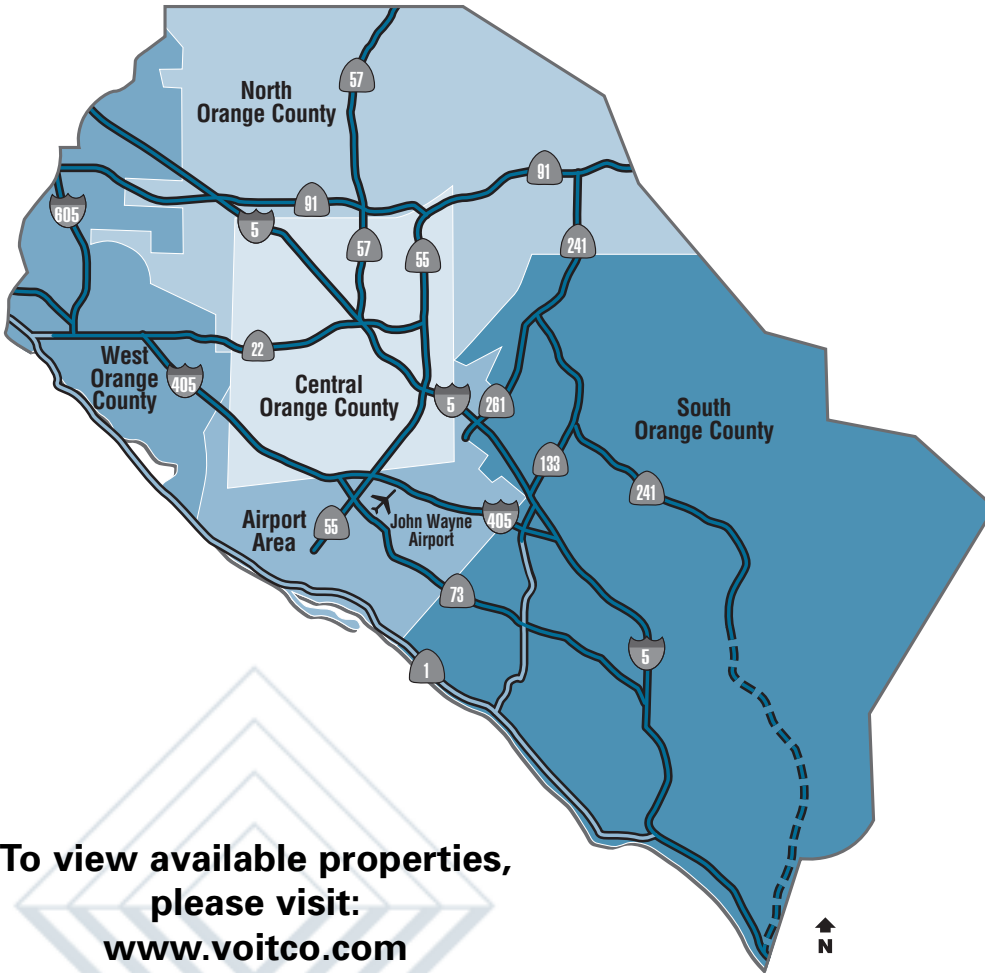
INVENTORY					VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Net Absorption 3Q2004	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
North County													
Anaheim Hills	12	215,634	0	0	14,626	6.78%	14,626	6.78%	\$0.00	0	10,352	(901)	1,487
Anaheim	9	214,972	0	0	7,530	3.50%	35,247	16.40%	\$0.00	(200)	8,061	(3,105)	(610)
Brea	14	435,913	0	0	35,498	8.14%	35,498	8.14%	\$1.09	42,352	61,256	(58,366)	(4,933)
Fullerton	4	24,500	23,400	0	0	0.00%	0	0.00%	\$0.00	0	0	6,515	0
Orange	1	58,367	0	0	0	0.00%	0	0.00%	\$0.00	5,968	1,488	(1,953)	0
Placentia	1	28,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	142	408
Yorba Linda	1	10,560	0	12,700	0	0.00%	0	0.00%	\$0.00	0	0	0	4,844
North County Total	42	987,946	23,400	12,700	57,654	5.84%	85,371	8.64%	\$1.09	48,120	81,157	(57,668)	1,196
West County													
Buena Park	1	12,000	0	0	1,220	10.17%	1,220	10.17%	\$0.00	0	(610)	0	(610)
Cypress	6	343,683	0	0	86,716	25.23%	127,823	37.19%	\$1.07	(9,152)	772	(19,289)	2,834
Huntington Beach	3	48,648	0	0	12,493	25.68%	12,493	25.68%	\$0.00	0	(780)	(9,489)	(1,344)
Los Alamitos	1	24,552	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Seal Beach	4	43,005	0	0	7,568	17.60%	7,568	17.60%	\$0.00	0	1,219	(7,668)	2,381
Westminster	1	8,674	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West County Total	16	480,562	0	0	107,997	22.47%	149,104	31.03%	\$1.07	(9,152)	601	(36,446)	3,261
Central County													
Anaheim	7	198,397	0	40,000	11,951	6.02%	11,951	6.02%	\$0.00	43,479	49,879	(3,105)	36,453
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	2,224
Orange	6	87,492	0	0	18,000	20.57%	18,000	20.57%	\$0.00	(6,395)	26,211	13,207	4,715
Santa Ana	8	92,769	0	0	13,045	14.06%	13,045	14.06%	\$0.00	351	(2,805)	73,822	33,443
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	95,482	(33,777)
Central County Total	25	424,658	0	40,000	42,996	10.12%	42,996	10.12%	\$0.00	37,435	73,285	179,406	43,058
Airport Area													
Costa Mesa	4	53,851	0	0	15,372	28.55%	15,372	28.55%	\$0.00	9,852	25,990	-126	16,164
Irvine	64	2,973,674	26,760	0	426,713	14.35%	499,748	16.81%	\$1.57	6,221	157,305	194,221	528,908
Newport Beach	24	585,494	25,891	0	32,372	5.53%	136,527	23.32%	\$0.00	7,414	11,221	2,115	11,560
Santa Ana	9	382,610	0	0	70,281	18.37%	75,583	19.75%	\$0.00	8,254	-14,623	0	0
Tustin	4	195,686	0	0	11,240	5.74%	30,110	15.39%	\$0.00	0	19,999	0	0
Airport Area Total	105	4,191,315	52,651	0	555,978	13.27%	757,340	18.07%	\$1.57	31,741	199,892	196,210	556,632
South County													
Aliso Viejo	41	1,252,812	0	0	25,633	2.05%	133,850	10.68%	\$1.27	45,642	60,032	56,330	23,162
Dana Point	3	54,340	0	0	3,350	6.16%	3,350	6.16%	\$0.00	0	0	2,651	(4,461)
Foothill Ranch	1	47,659	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	106	3,562,773	0	0	531,840	14.93%	623,367	17.50%	\$1.41	330,872	304,969	138,986	56,797
Laguna Beach	2	18,454	0	0	0	0.00%	0	0.00%	\$0.00	0	0	808	4,679
Laguna Hills	13	449,087	0	0	37,158	8.27%	39,244	8.74%	\$1.15	18,135	7,931	(4,187)	31,919
Laguna Niguel	3	53,170	0	0	6,000	11.28%	6,000	11.28%	\$3.00	0	1,638	(1,638)	0
Lake Forest	28	1,153,755	17,414	0	243,367	21.09%	323,776	28.06%	\$1.29	(64,879)	(21,886)	56,549	189,955
Mission Viejo	28	401,842	60,230	73,230	21,624	5.38%	21,624	5.38%	\$1.90	6,981	32,717	33,299	(5,399)
Rancho Santa Margarita	3	111,829	25,000	0	5,603	5.01%	5,603	5.01%	\$0.00	2,322	5,489	16,755	10,113
San Clemente	7	160,795	0	19,456	79,494	49.44%	79,494	49.44%	\$2.85	9,442	8,490	(546)	26,800
San Juan Capistrano	14	302,289	0	0	4,923	1.63%	8,790	2.91%	\$0.00	(7,490)	(6,108)	18,266	69,594
South County Total	249	7,568,805	102,644	92,686	958,992	12.67%	1,245,098	16.45%	\$1.35	341,025	393,272	317,273	403,159
Orange County Total	437	13,653,286	178,695	145,386	1,723,617	12.62%	2,279,909	16.70%	\$1.42	449,169	748,207	598,775	1,007,306

INVENTORY					VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Net Absorption 3Q2004	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
North County													
0 to 29,999	30	432,380	23,400	12,700	22,740	5.26%	38,651	8.94%	\$1.09	1,608	17,229	4,357	14,865
30,000 to 49,999	8	321,242	0	0	10,892	3.39%	16,208	5.05%	\$0.00	(200)	4,565	(7,979)	3,815
50,000+	4	234,324	0	0	24,022	10.25%	30,512	13.02%	\$0.00	46,712	59,363	(54,046)	(17,484)
West County													
0 to 29,999	9	104,374	0	0	13,713	13.14%	13,713	13.14%	\$0.00	(780)	(1,390)	(8,370)	3,261
30,000 to 49,999	3	119,376	0	0	24,724	20.71%	65,831	55.15%	\$1.45	10,561	(30,107)	(28,076)	0
50,000+	4	256,812	0	0	69,560	27.09%	69,560	27.09%	\$1.03	(18,933)	32,098	0	0
Central County													
0 to 29,999	22	305,945	26,760	0	36,342	11.88%	36,342	11.88%	\$2.40	(5,911)	3,633	42,965	20,275
30,000 to 49,999	2	68,713	0	40,000	6,654	9.68%	6,654	9.68%	\$0.00	(6,654)	19,652	59,771	(24,047)
50,000+	1	50,000	0	0	0	0.00%	0	0.00%	\$1.24	50,000	50,000	76,670	46,830
Airport Area													
0 to 29,999	32	518,339	25,891	0	55,789	10.76%	59,669	11.51%	\$2.50	19,731	47,422	28,260	10,801
30,000 to 49,999	36	1,480,141	0	0	194,840	13.16%	230,656	15.58%	\$1.50	14,136	57,284	39,906	222,939
50,000+	37	2,192,835	0	0	305,349	13.92%	467,015	21.30%	\$1.61	(2,126)	95,186	128,044	322,892
South County													
0 to 29,999	126	1,832,433	72,194	32,236	398,996	21.77%	406,748	22.20%	\$1.41	41,876	11,852	115,367	166,949
30,000 to 49,999	77	3,071,052	30,450	60,450	330,780	10.77%	558,767	18.19%	\$1.33	116,779	50,477	89,519	29,825
50,000+	46	2,665,320	0	0	229,216	8.60%	279,583	10.49%	\$1.35	182,370	330,943	112,387	206,385
Orange County													
0 to 29,999	219	3,193,471	148,245	44,936	527,580	16.52%	555,123	17.38%	\$1.38	56,524	78,746	182,579	216,151
30,000 to 49,999	126	5,060,524	30,450	100,450	567,890	11.22%	878,116	17.35%	\$1.40	134,622	101,871	153,141	232,532
50,000+	92	5,399,291	0	0	628,147	11.63%	846,670	15.68%	\$1.45	258,023	567,590	263,055	558,623
Orange County Total	437	13,653,286	178,695	145,386	1,723,617	12.62%	2,279,909	16.70%	\$1.42	449,169	748,207	598,775	1,007,306

This survey consists of buildings up to 74,999 square feet. Lease rates are on a triple net basis.

FLEX MARKET REPORT

THIRD QUARTER 2004



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SUBMARKETS

NORTH

Anaheim Hills, Anaheim, Brea, Fullerton, Orange, Placentia, Yorba Linda

WEST

Buena Park, Cypress, Huntington Beach, Los Alamitos, Seal Beach, Westminster

CENTRAL

Anaheim, Garden Grove, Orange, Santa Ana, Tustin

AIRPORT

Costa Mesa, Irvine, Newport Beach, Santa Ana, Tustin

SOUTH

Aliso Viejo, Dana Point, Foothill Ranch, Irvine Spectrum, Laguna Beach, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano

PRODUCT TYPE

FLEX-TECH OR CORPORATE HEADQUARTER

Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, minimum of 3 elevations with full glassline, with ground level loading possible.

For Further Information:

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FAX: 949.261.9092



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